

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 363  
Ways and Means

(Delegate Palakovich Carr)

Budget and Taxation

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Local Government - Grant for Recipients of State Child Tax Credit -  
Authorization

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This bill authorizes a county to provide by law for a grant modeled on the State child tax credit. Specifically, a county may provide for a grant for each qualified child (within the meaning of the State child tax credit) of a taxpayer whose federal adjusted gross income (AGI) is less than \$15,000, if the taxpayer and each qualified child are residents (other than fiduciaries) who are domiciled in or maintain a principal residence or place of abode in the county on the last day of the tax year. A county may provide for the amount of the grant, which must be reduced by 10% for each \$1,000 (or fraction thereof) by which the taxpayer's federal adjusted gross income exceeds \$15,000. A county that provides a grant under the bill must reimburse the Comptroller for reasonable expenses incurred to provide the county information necessary to implement the grant. **The bill takes effect June 1, 2026.**

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Fiscal Summary

**State Effect:** General fund revenues and expenditures may increase, likely minimally, beginning as early as FY 2027 to the extent the Comptroller incurs and receives reimbursement for administrative expenses.

**Local Effect:** Local expenditures may increase beginning as early as FY 2027 to the extent counties enact local child grant programs as authorized under the bill, as discussed below. Local revenues are not affected.

**Small Business Effect:** None.

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## Analysis

**Current Law:** Certain low-income taxpayers with one or more qualified children may claim a refundable State income tax credit of up to \$500 per qualified child. A qualified child is a dependent of the taxpayer who is (1) younger than age 6 or (2) younger than age 17 and is a child with a disability (as defined). Eligibility was previously limited to taxpayers with federal AGI of up to \$15,000. The Budget Reconciliation and Financing Act of 2025 modified the credit to gradually phase out the benefit for taxpayers with federal AGI in excess of \$15,000; thus, for tax year 2025 and beyond, taxpayers with federal AGI in excess of \$15,000 may claim the credit for each qualified child at a reduced amount (\$500 reduced by \$50 for each \$1,000 or fraction thereof by which federal AGI exceeds \$15,000). The credit fully phases out for taxpayers with federal AGI in excess of \$24,000.

**State Fiscal Effect:** General fund revenues and expenditures for the Comptroller's Office may increase, likely minimally, beginning as early as fiscal 2027 to the extent the Comptroller incurs and receives reimbursement for expenses to provide counties with information necessary to implement local child grant programs. The Comptroller's Office advises that the information sharing contemplated under the bill necessitates the hiring of one to two contractual attorneys for a period of six months to draft memoranda of understanding with counties that enact such programs, with estimated related costs ranging from about \$90,000 to \$180,000 in fiscal 2027 (assuming a four-month start-up delay from the bill's June 1, 2026 effective date). However, the Department of Legislative Services notes that it is unknown whether and how many counties will enact local child grant programs under the bill and when any such programs will take effect.

**Local Expenditures:** Local expenditures may increase beginning as early as fiscal 2027 to the extent counties enact local child grant programs as authorized under the bill. Any such effect depends on the policy decisions of local governments and cannot be reliably predicted.

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## Additional Information

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** SB 468 (Senator King) - Budget and Taxation.

**Information Source(s):** Comptroller's Office; Anne Arundel, Baltimore, Cecil, Frederick, Montgomery, and Somerset counties; Maryland Association of Counties; Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2026  
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